

HB

151

HOUSE COMMITTEE REPORT

(7)

Date referred: 2/27/87

FURTHER REFERRALS: Finance

DATE: 4-8-87

The State Affairs Committee has considered HB 151

"An Act relating to the longevity bonus program; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published 2/27/87
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

Cliff Davidson

Terry Martin

SIGNING OTHER RECOMMENDATIONS:

_____ *Do NOT PASS*

_____ *NO Rec.*

_____ *DO NOT PASS*

_____ *No Rec.*

_____ *amount to include phase-out with the needs based*

Jan Ulmer

Chairman's signature



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

STATE AFFAIRS COMMITTEE

HOUSE BILL 151

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FISCAL NOTES

- A. DEPARTMENT OF ADMINISTRATION, LONGEVITY BONUS, GRANTS AND ADMINISTRATION: -0-
- B. DEPARTMENT OF HEALTH AND SOCIAL SERVICES, ASSISTANCE PAYMENTS, OAA-ALB HOLD HARMLESS: -0-
- C. DEPARTMENT OF HEALTH AND SOCIAL SERVICES, MEDICAL ASSISTANCE, ALASKA LONGEVITY BONUS HOLD HARMLESS: -0-



Official Business

Alaska State Legislature

House

P.O. BOX V
State Capitol
Juneau, Alaska 99811

TO: All Committee Members
House State Affairs

FROM: Representative Fran Ulmer

RE: Longevity Bonus

DATE: April 3, 1987

OPTIONS FOR REDUCING THE COST OF THE LONGEVITY BONUS PROGRAM

The following work drafts are offered as committee substitutes for HB 151:

Work Draft dated 2/26/87

Individuals 65 years of age or over, and have been residents of the state for one year would qualify for the Longevity Bonus. The monthly bonus amount, however, would be reduced each year by \$25. Beginning July 1, 1987, the Longevity Bonus would be equal to \$225. In subsequent years, the Bonus would be reduced by \$25 until it phased out in FY 97. Attached you will find the projected costs of this program relative to other proposals (HB 151 and SB 56). Also included are cost projections for this proposal if the beginning Bonus amount were \$250 or \$200.

Work Draft dated 4/3/87

This proposal combines the reduced bonus amount option described above with a program to provide needy seniors \$225 per month for the rest of their lives once they turn 65 years of age and have lived in the state for at least one year prior to applying for the Bonus.

Under this option, the bonus reduction program would be in effect for those individuals whose adjusted gross income is greater than \$20,000 per year. For those individuals with adjusted gross incomes less than \$20,000 per year, they would receive \$225 per month. For both income groups, the program would end in FY97.

Original sponsor: Rules/Governor

1 IN THE HOUSE

BY THE STATE AFFAIRS COMMITTEE

2 CS FOR HOUSE BILL NO. 151 (State Affairs)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 FIFTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the longevity bonus program and
7 repealing the annuity program; and providing for an
8 effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 44.21.230(c) is amended to read:

11 (c) The commission may not investigate, review, or undertake any
12 responsibility for [THE LONGEVITY BONUS PROGRAM (AS 47.45.010 - 47.-
13 45.170) OR] the Alaska Pioneers' Homes (AS 47.25.010 - 47.25.100).

14 * Sec. 2. AS 47.45.010(a) is amended to read:

15 (a) A person who is 65 years of age or over, who resides in the
16 state for at least one year immediately preceding application for a
17 longevity bonus under this chapter may apply to the commissioner of
18 administration for qualification to receive a monthly bonus [OF \$250].

19 * Sec. 3. AS 47.45 is amended by adding a new section to read:

20 Sec. 47.45.015. AMOUNT OF BONUS. The monthly longevity bonus is
21 equal to \$225 for the fiscal year beginning July 1, 1987, \$200 for the
22 fiscal year beginning July 1, 1988, \$175 for the fiscal year beginning
23 July 1, 1989, \$150 for the fiscal year beginning July 1, 1990, \$125
24 for the fiscal year beginning July 1, 1991, \$100 for the fiscal year
25 beginning July 1, 1992, \$75 for the fiscal year beginning July
26 1993, \$50 for the fiscal year beginning July 1, 1994, and \$25 for the
27 fiscal year beginning July 1, 1995.

28 * Sec. 4. Sections 1 - 18, ch. 99, SLA 1985 are repealed.

29 * Sec. 5. AS 09.38.015(a)(5); AS 47.08.060(c)(5); and AS 47.45

1 are repealed.

2 * Sec. 6. Sections 2 - 4 of this Act take effect July 1, 1987.

3 * Sec. 7. Sections 1 and 5 of this Act take effect July 1, 1996.
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1) OPTION 1: \$250 FY88



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P. O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 25, 1987

MEMORANDUM

TO: Representative Fran Ulmer
ATTN: Dennis Burns *DB*
FROM: Karen Oakley
Legislative Analyst
RE: Options for Reducing the Cost of the Longevity Bonus Program
Research Request 87-161 (Supplemental Information)

You asked us to determine the costs of the Alaska Longevity Bonus (ALB) program if the bonus amount is reduced by \$25 each year. The attached table shows the annual and cumulative costs of the ALB program under this scenario. These costs are compared to the costs of the current program and to the costs of the program under Senate Bill 56 and House Bill 151 in the attached figures.

I hope this information is of use. Please let me know if we can provide any further information.

Attachments

Alaska Longevity Bonus
 Annual and Cumulative Costs Through 2005
 Reduce bonus by \$25 each year for all persons 65 years and older

Fiscal Year	TOTAL PROGRAM COST (millions)		Number of Recipients	Monthly Bonus
	Annual	Cumulative		
1988	49.9	549.9	16,622	\$250
1989	47.4	97.3	17,560	225
1990	44.5	141.7	18,521	200
1991	40.7	182.5	19,402	175
1992	36.4	218.9	20,236	150
1993	31.7	250.6	21,132	125
1994	26.4	276.9	21,962	100
1995	20.6	297.6	22,929	75
1996	14.3	311.9	23,790	50
1997	7.4	319.2	24,525	25
1998	0.0	319.2	25,379	0
1999	0.0	319.2	26,175	0
2000	0.0	319.2	27,021	0
2001	0.0	319.2	27,860	0
2002	0.0	319.2	28,729	0
2003	0.0	319.2	29,622	0
2004	0.0	319.2	30,538	0
2005	0.0	319.2	31,635	0

Notes:

Number of recipients estimated by the Office of Management and Budget, spring 1985.

Prepared by the House Research Agency (861217-21;ALB5), March 1987.

2) OPTIONS 2 AND 3: \$225 OR \$200 FY88

ANNUAL AND CUMULATIVE COST COMPARISON

WORK DRAFT OF BILL



ALASKA STATE LEGISLATURE
HOUSE OF REPRESENTATIVES
RESEARCH AGENCY

P.O. Box Y, State Capitol
Juneau, Alaska 99811-3100
Mail Stop 3100
(907) 465-3991

March 26, 1987

MEMORANDUM

TO: Representative Fran Ulmer

ATTN: Dennis Burns

FROM: Karen Oakley *ko*
Legislative Analyst

RE: Options for Reducing the Cost of the Longevity Bonus Program
Research Request 87-161 (Supplemental Information)

Previously, we provided you with projected costs of the Alaska Longevity Bonus (ALB) program if the bonus amount is reduced by \$25 each year and the bonus remains at \$250 per month during FY 88. You asked that we now determine the costs of the program if the bonus starts at \$225 and at \$200 in FY 88. The attached tables show the annual and cumulative costs of the ALB program under these scenarios. These costs are compared to the costs of the current program and to the costs of the program under Senate Bill 56 and House Bill 151 in the attached figures.

I hope this information is of use. Please let me know if we can provide any further information.

Attachments

Alaska Longevity Bonus

Annual and Cumulative Costs Through 2005

Reduce bonus by \$25 each year for all persons 65 years and older

Bonus amount starts in FY 88 at \$225 per month

Fiscal Year	TOTAL PROGRAM COST (millions)		Number of Recipients	Monthly Bonus
	Annual	Cumulative		
1988	44.9	\$44.9	16,622	225
1989	42.1	87.0	17,560	200
1990	38.9	125.9	18,521	175
1991	34.9	160.8	19,402	150
1992	30.4	191.2	20,236	125
1993	25.4	216.6	21,132	100
1994	19.8	236.3	21,962	75
1995	13.8	250.1	22,929	50
1996	7.1	257.2	23,790	25
1997	0.0	257.2	24,525	0
1998	0.0	257.2	25,379	0
1999	0.0	257.2	26,175	0
2000	0.0	257.2	27,021	0
2001	0.0	257.2	27,860	0
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2003	0.0	257.2	29,622	0
2004	0.0	257.2	30,538	0
2005	0.0	257.2	31,635	0

Number of recipients estimated by the Office of Management and Budget, spring 1985.

Prepared by the House Research Agency, March 1987 (AL87; 861217-10).

Alaska Longevity Bonus

Annual and Cumulative Costs Through 2005

Reduce bonus by \$25 each year for all persons 65 years and older

Bonus amount starts in FY 88 at \$200 per month

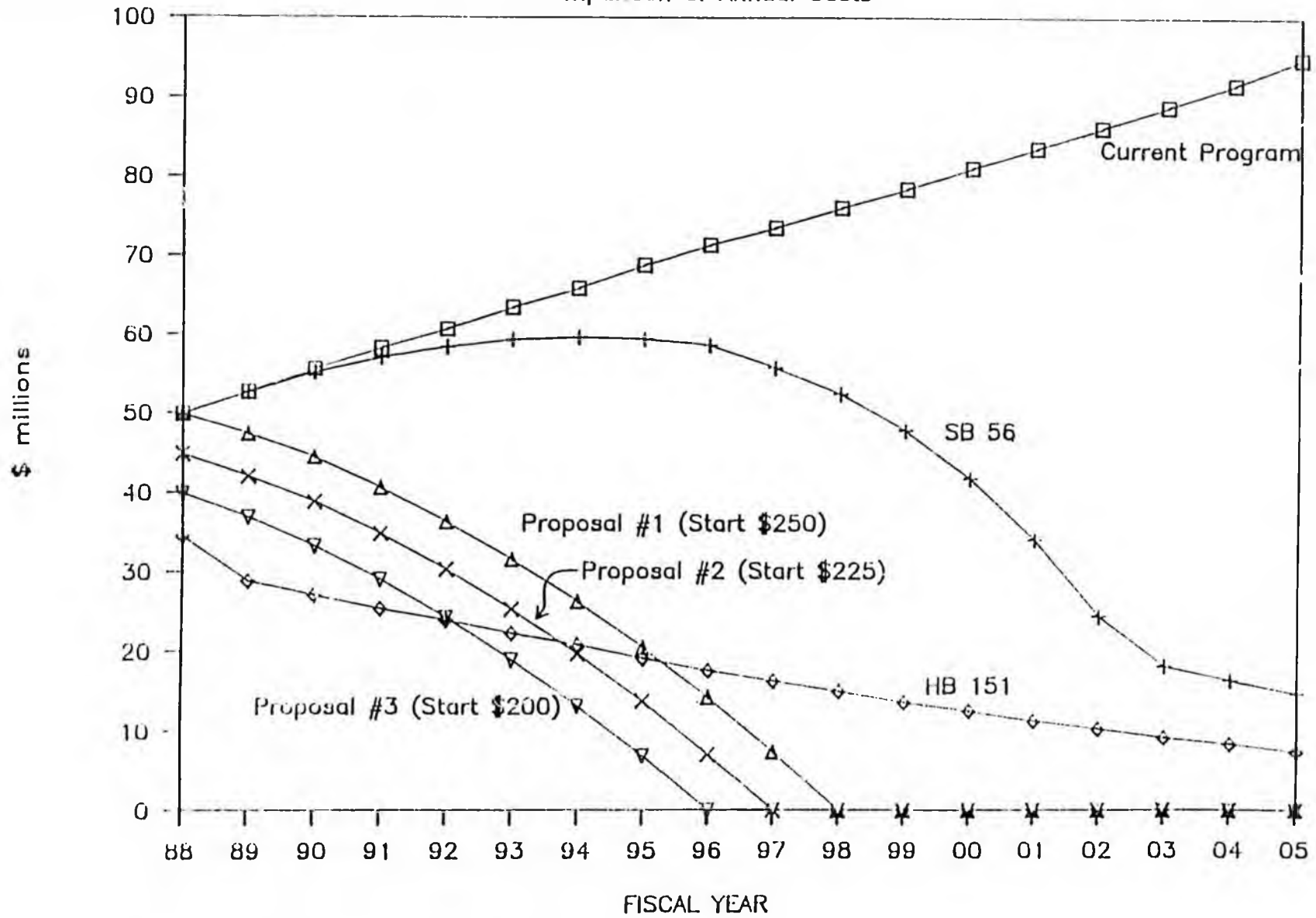
Fiscal Year	TOTAL PROGRAM COST (millions)		Number of Recipients	Monthly Bonus
	Annual	Cumulative		
1988	39.9	\$39.9	16,622	200
1989	36.9	76.8	17,560	175
1990	33.3	110.1	18,521	150
1991	29.1	139.2	19,402	125
1992	24.3	163.5	20,236	100
1993	19.0	182.5	21,132	75
1994	13.2	195.7	21,962	50
1995	6.9	202.6	22,929	25
1996	0.0	202.6	23,790	0
1997	0.0	202.6	24,525	0
1998	0.0	202.6	25,379	0
1999	0.0	202.6	26,175	0
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Number of recipients estimated by the Office of Management and Budget, spring 1985.

Prepared by the House Research Agency, March 1987 (AL88; 861217-10).

Alaska Longevity Bonus

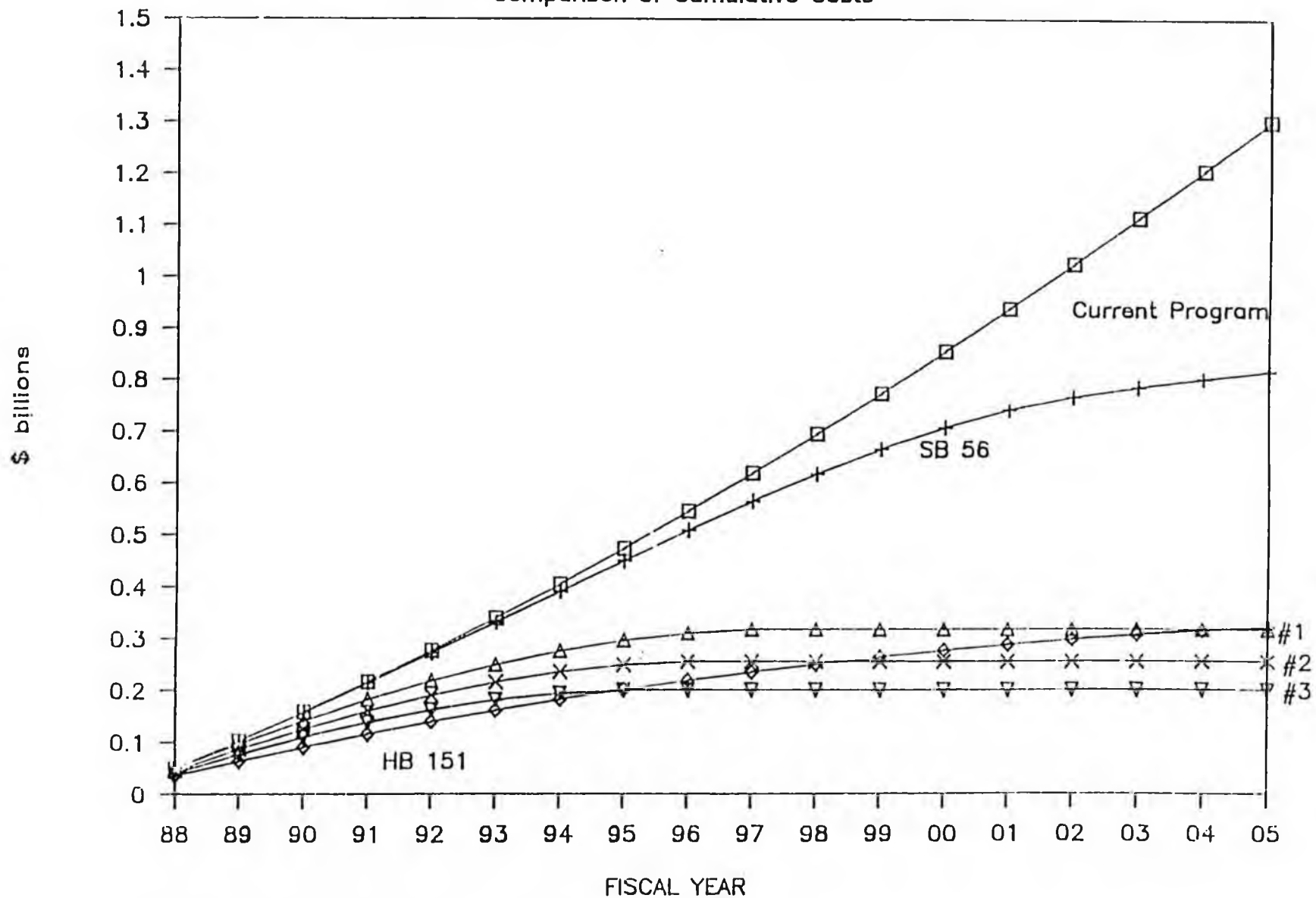
Comparison of Annual Costs



Report by The House Research Agency, March 1987.

Alaska Longevity Bonus

Comparison of Cumulative Costs



Prepared by the House Research Agency, March 1987.

Original sponsor: Rules/Governor

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BY THE STATE AFFAIRS COMMITTEE

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16 state for at least one year immediately preceding application for a
17 longevity bonus under this chapter may apply to the commissioner of
18 administration for qualification to receive a monthly bonus [OF \$250].

19 * Sec. 3. AS 47.45 is amended by adding a new section to read:

20 Sec. 47.45.015. AMOUNT OF BONUS. (a) For a person who meets
21 the qualifications set out in AS 47.45.010 and whose adjusted gross
22 income as calculated for federal income tax purposes, less Alaska
23 longevity bonus income and Alaska permanent fund dividend income
24 received, is not more than \$20,000 or not more than \$40,000 if the
25 person is a married individual who files a joint federal income tax
26 return, the monthly longevity bonus is equal to \$225.

27 (b) For a person who meets the qualifications set out in AS 47.-
28 45.010 and whose adjusted gross income as calculated for federal
29 income tax purposes, less Alaska longevity bonus income and Alaska

1 permanent fund dividend income received, is more than \$20,000, or more
2 than \$40,000 if the person is a married individual who files a joint
3 federal income tax return, the monthly longevity bonus is equal to

- 4 (1) \$225 for the fiscal year beginning July 1, 1987;
- 5 (2) \$200 for the fiscal year beginning July 1, 1988;
- 6 (3) \$175 for the fiscal year beginning July 1, 1989;
- 7 (4) \$150 for the fiscal year beginning July 1, 1990;
- 8 (5) \$125 for the fiscal year beginning July 1, 1991;
- 9 (6) \$100 for the fiscal year beginning July 1, 1992;
- 10 (7) \$75 for the fiscal year beginning July 1, 1993;
- 11 (8) \$50 for the fiscal year beginning July 1, 1994; and
- 12 (9) \$25 for the fiscal year beginning July 1, 1995.

13 (c) An applicant shall submit a true copy of the applicant's
14 federal income tax return, or a certified statement that a return was
15 not required, as proof of income. A determination of a person's
16 income applies during the fiscal year beginning the July 1 following
17 the calendar year for which the income determination was made. The
18 Department of Administration shall adopt regulations that set out
19 procedures and time limits for establishing income under this section.

20 (d) Federal tax returns submitted to the Department of Adminis-
21 tration are confidential. The provisions of AS 43.05.230 apply to
22 these returns.

23 * Sec. 4. Sections 1 - 18, ch. 99, SLA 1985 are repealed.

24 * Sec. 5. AS 09.38.015(a)(5); AS 47.08.060(c)(8); and AS 47.45 are re-
25 pealed.

26 * Sec. 6. Sections 2 - 4 of this Act take effect July 1, 1987.

27 * Sec. 7. Sections 1 and 5 of this Act take effect July 1, 1996.
28
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MEMORANDUM

State of Alaska

TO Mary Halloran

DATE April 2, 1987

FILE NO:

TELEPHONE NO

FROM Jetta Whittaker *JW*

SUBJECT Longevity Bonus Questions

The following are answers to Vera Gazaway's questions regarding HB 151, based on information from your Longevity Bonus (LB) book and confirmed by John Andrews of the Department of Administration.

- 1) The LB program will continue to be administered by the Division of Pioneer Benefits in the Department of Administration.
- 2) Implementation of the income test specified in HB 151 is estimated to require the services of 6 additional employees, 3 fulltime and 3 parttime, for a total of 45 person-months of work in FY 88. Including these, the LB program will take 126.6 person-months to administer in FY 88. In FY 89 and beyond, that will drop to 96 person-months.
- 3) The projected administrative startup costs of the income test are estimated to total \$200,000, which includes \$130,000 for personal services, \$42,000 for contractual services, \$1,000 for supplies and \$14,000 for equipment. Including these costs, the LB program will cost \$515,000 to administer in FY 88. In FY 89 and beyond, that is estimated to drop to \$366,000 per year, reflecting a decrease in the number of employees needed and a reduction in equipment purchased.
- 4) The Governor's bill, like the original program, provides benefits to residents of Alaska. It is impermissible for the state to limit state benefits to United States citizens; resident aliens will be treated just like other residents. Resident aliens who earn income must file United States income tax returns. Those returns will be analyzed just like the returns of all other residents. If a resident alien does not need to file an income tax because he or she has no taxable income, that individual, like any other Alaskan who earns no taxable income, must file a certified statement that the return was not required.
- 5) We estimate that there will be 3100 persons in FY 88 who will no longer qualify for the LB due to adjusted gross incomes of more than \$25,500.
- 6) Checks for all recipients will be reduced from \$250 to \$200 per month beginning July 1, 1987.
- 7) Under HB 151, approximately 13100 persons will qualify for the LB in 1989.
- 8) The projected total five year cost of the Governor's bill is \$155.4 million, of which roughly 1.3% will be for administration of the program.

5

GRAND IGLOO
PIONEERS OF ALASKA

ORGANIZED AUGUST 4, 1908



OFFICE OF GRAND PRESIDENT

Petersburg Alaska
March, 5, 1987

Hon. Fran Ulmer, Chairman,
Committee On State Affairs.

Dear Representative Ulmer;

I just want to formally inform you, that at
the last Pioneers convention held in Juneau last
Sept.

We took a vote on the Annuity Program, and it
carried by a majority vote.

The Pioneers of Alaska will greatly appreciate
your support for Senate Bill #56, which will activate
the Annuity Program and leave the Longevity Bonus
as is.

Yours Truly,

Arnold P. Wasvick
Grand President PIONEERS OF ALASKA

Jorge C. Hix
3130W 62nd Avenue
Anchorage, AK 99502

March 2, 1987

Fran Ulmer, Representative

Dear Representative Ulmer:

Thank you for your reply of 2/4/87 re Longevity Bonus. If changes are inevitable I can live with anything except making it into a welfare program. The following is the result of OPAG developing a position paper on this issue. This is not the final paper but you may find some interesting points in it.

OPAG urges continuation of the Longevity Bonus and property tax exemption/renters rebatee programs in their present forms based on the following observations.

The oil industry has raised both the income and living costs of Alaskans who are working or in business. Retired Alaskans are only affected by the increased living costs. The senior programs above help to ease this discrepancy and allow seniors to share the wealth along with their neighbors and friends.

Senior programs were instituted eight to ten years before the first barrel of Frudhoe Bay oil hit the market. The stated intent of the Legislature was to encourage retired Alaskans to remain in Alaska during their retired years in order to enhance both the economy and the quality of life here. Prior to these programs Alaska had a very small percentage of elders. Now, thanks to the senior programs, many more Alaskans are choosing to reside here during their retirement.

OPAG submits that these benefit programs are the catalyst leading to a sizeable infusion of other money into the economy. Pension moneys are not subject to the ups and downs of the market place and therefore contribute a stabelizing influence to the community. The following partial list shows some of the other dollars spent in the State by retired Alaskans.

We have attempted to put a dollar figure on the income that the retired people living in Alaska bring into the State using available data, realizing that we have no way of tabulating income from investments and many other resources. We used solid figures where available and extensions where we could not get solid figures but none of these figures are merely wild guesses:

SOURCE	\$ PER YEAR
1. Social Security	120,000,000

2. Medicare	36,000,000
3. SSI	10,000,000
4. Medicaide (senior citizens only)	42,340,000
5. Teachers Pensions	25,740,293
6. Construction Union Pens. extension	100,000,000
7. Military Pensions	66,940,192
8. Retired State Workers	38,842,061
9. Retired Federal Workers	10,925,872
10. Hotel & Res.	8,300,000
11. Vets disability etc. (over 60 yrs)	24,595,783
Present Total	533,684,301
Cost of Longevity Bonus	47,000,000

Cost/Effect ratio is one to eleven, wouldn't we be lucky to have all State programs produce an equal effect? The foregoing figure consist of payments made to Alaska addresses and contain no State General Fund Dollars.

Bear in mind that the Longevity Bonus program assures us that most of this money will be spent in Alaska because the rules stipulate that a recipient may not be absent from the state for more than ninety days in any one year. Talk about a captive income!!

OPAG contends that if these programs are canceled or significantly altered the following will happen

a. Seniors at or close to the poverty level will stay. Those already on other welfare programs will stay on them at high assistance levels. New enrollers be of the same financial group.

b. The small group of wealthy seniors will stay or leave for the same financial reasons as now, however, the Bonus or the lack of one would have an effect. Rich people can count.

c. There will be a sizeable exodus of those seniors in the middle income scale. These are the folks who managed to design a comfortable retirement in which the Longevity Bonus and property tax exemption play a significant role. When they leave Alaska they will also take their various other pension incomes and other incomes from investments as well as sizeable profits on homes and other assets.

Senior citizens contribute a major portion of the volunteer work hours given to a wide variety of public service jobs across the State.

Sincerely,

George C. Hix



Official Business

Alaska State Legislature

House

COMMITTEE ON STATE AFFAIRS

P.O. BOX V
State Capitol
Juneau, Alaska 99811

March 10, 1987

Jorge C. Hix
3130 West 62nd Avenue
Anchorage, AK 99502

Dear Mr. Hix:

Thank you for your thoughtful letter regarding senior programs. I will share it with other members of the State Affairs Committee when we begin hearings on the Longevity Bonus this week. Please note we will hold a work session on House Bill 151 on Wednesday, March 11 -- public hearings will be held at a later date.

While I share your concerns regarding the proposed changes to the Longevity Bonus program and other senior programs, I would like you to consider the following points:

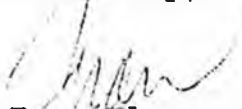
Most senior programs were not instituted eight to ten years before we began receiving oil money. The State received nine hundred million dollars in 1970 as a bonus payment from oil companies for the right to develop Prudhoe Bay. The substantial increase in senior benefits began as a consequence of this new oil wealth and these programs have continued to be supported by oil wealth. Now that we have less oil revenue, we can afford less and that applies to all program categories.

- The legislature passed the Longevity Bonus Law in 1972, giving \$100 a month to all residents 65 and older who had lived in Alaska since before statehood in 1959;
- The property tax exemption was adopted in 1973;
- In-home health and nutrition programs were adopted in the mid-1970's; and
- Half of the Pioneers Homes and the majority of senior centers were built and opened after 1977.

March 10, 1987

I encourage the seniors of Alaska to evaluate all programs that directly impact them, and then offer suggestions on how best to handle the inevitable reduction or elimination of these programs. As you evaluate these programs, keep in mind that maintaining programs which contribute so much to our quality of life in Alaska will depend on finding alternative sources of revenue. This is why I support a state income tax. Such a tax is fair and will provide a predictable revenue flow -- an essential factor in maintaining consistent program support.

Sincerely,



Fran Ulmer, Chair
State Affairs Committee

Jorge C. Hix
3130 W 62nd Avenue
Anchorage, Alaska 99502

Feb. 27, 1987

Representative John Sund
P. O. Box V
Juneau, AK 99811
Dear Rep. Sund:

Thank you for your letter of 2/25. I could live with the reduction in the LBP to \$200 per month, at least that makes the mathematics easy, it would save a little over ten million per year and the mechanics would be simple.

Cutting down the Bonus after \$20,000 and off after \$25,000 makes no sense at all as it creates a bureaucratic nightmare. Even if you made it simple and cut everyone off after \$20,000 we would save $15\% \times \$200 \text{ per mo.} \times 12 \text{ months} \times 17,064 \text{ recipients} = \$6,143,040 \text{ per year.}$ You and I both know that you can not set up the bureaucracy to pry into 17,000 seniors innermost secretes each and every year for this price. I predict the net result would be to cost the State several times the amount saved.

I think the annuity program is the best answer even if it needs some fixing in the future. To me the one weakness is the right to chose. This complicates the bookkeeping and may leave out the ones who need it the most. When I was 20 I was never going to be old, when I was 30 I decided I would be rich and old, at 40 I said "better start soon", come 50 "next year", at 60 "what happened?". Sound familiar?

Here are the figures I promised you in my last letter.

Senior programs were instituted eight to ten years before the first barrel of Prudhoe Bay oil hit the market. The stated intent of the Legislature was to encourage retired Alaskans to remain in Alaska during their retired years in order to enhance both the economy and the quality of life here. Prior to these programs Alaska had a very small percentage of elders. Now, thanks to the senior programs, many more Alaskans are choosing to reside here during their retirement.

I submit that these benefit programs are the catalyst leading to a sizeable infusion of other money into the economy. Pension moneys are not subject to the ups and downs of the market place and therefore contribute a stabilizing influence to the community. The following partial list shows some of the other dollars spent in the State by retired Alaskans.

We have attempted to put a dollar figure on the income

that the retired people living in Alaska bring into the State using available data, realizing that we have no way of tabulating income from investments and many other resources. We used solid figures where available and extensions where we could not get solid figures but none of these figures are merely wild guesses:

SOURCE	\$ PER YEAR
1. Social Security	120,000,000
2. Medicare	36,000,000
3. SSI	10,000,000
4. Medicaide (senior citizens only)	42,340,000
5. Teachers Pensions	25,740,293
6. Construction Union Pens. extension	100,000,000
7. Military Pensions	66,940,192
8. Retired State Workers	38,842,061
9. Retired Federal Workers	60,925,872
10. Hotel & Res.	8,300,000
11. Vets disability etc. (over 60 yrs)	24,595,783
Present Total	533,684,301
Cost of Longevity Bonus	47,000,000

Cost/Effect ratio is one to eleven, wouldn't we be lucky to have all State programs produce an equal effect? The foregoing figure consist of payments made to Alaska addresses and contain no State General Fund Dollars.

Bear in mind that the Longevity Bonus program assures us that most of this money will be spent in Alaska because the rules stipulate that a recipient may not be absent from the state for more than ninety days in any one year. Talk about a captive income!!

I contend that if these programs are canceled or significantly altered the following will happen

a. Seniors at or close to the poverty level will stay. Those already on other welfare programs will stay on them at high assistance levels. New enrollers be of the same financial group.

b. The small group of wealthy seniors will stay or leave for the same financial reasons as now, however, the Bonus or the lack of one would have an effect. Rich people can count.

c. There will be a sizeable exodus of those seniors in the middle income scale. These are the folks who managed to design a comfortable retirement in which the Longevity Bonus and property tax exemption play a significant role. When they leave Alaska they will also take their various other pension incomes and other incomes from investments as well as sizeable profits on homes and other assets.

Senior citizens contribute a major portion of the volunteer work hours given to a wide variety of public service jobs across the State.

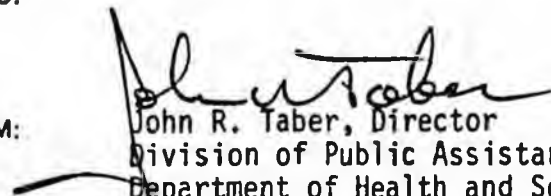
George C. Hill

TO: Mary Halloran, Director
Division of Policy
Office of the Governor

DATE: February 10, 1987

FILE NO.:

THRU: TELEPHONE NO.: 465-3347

FROM: 
John R. Taber, Director
Division of Public Assistance
Department of Health and Social Services

SUBJECT: Longevity Bonus and
Old Age Assistance

8

You had asked for information concerning Old Age Assistance and how it might interface with various Longevity Bonus options under discussion. I have framed these in a question-and-answer format:

Q: What is an Old Age Assistance (OAA) client?

A: There are 2,646 OAA recipients (December, 1986.) Approximately 1,600 are Native. Approximately 40 percent live in rural areas. 90 percent live as individual; 10 percent live with a spouse (who is usually also eligible).

To qualify for OAA a person must be 65 years of age or older, pass an income test by having a countable monthly income less than \$632 (for an individual living independently), and pass a separate resource test. The resource limit is \$1,800 for an individual, \$2,700 for a couple; resources include real and personal property, savings accounts, stocks, bonds, and the face value of some types of insurance. One motor vehicle, personal and household items, and the home of actual residence are excluded from counting against these limits.

Anyone with less than \$340 countable monthly income must apply for and be eligible to receive payments from the Social Security Administration's Supplemental Security Income (SSI) program, which has a \$340 income test and the same resource test as OAA.

Medicaid eligibility is automatic for SSI recipients. It is also automatic for persons who are OAA eligible but whose monthly income is over the lower SSI limit, provided that the State OAA Program uses the income and resource rules that SSI uses.

About 45 percent of all OAA recipients receive SSI payments; the remaining 55 percent receive some other type of income, usually Social Security retirement benefits. About 80 percent of all OAA recipients, including those who receive SSI, also receive Social Security retirement payments.

About 1,600 OAA recipients receive the type of Longevity Bonus which is not counted as income by SSI rules. About 840 OAA recipients receive a Bonus that is countable by SSI, and the "Alaska Longevity Bonus Hold Harmless Program" replaces for them the amount of SSI payment they lose by having their Bonus counted against the SSI \$340 limit. This program also provides continuing Medicaid coverage for those whose countable Bonus, with their other income, exceeds the OAA income limit.

The vast majority of OAA clients are individuals who have \$902 per month in spendable gross income from OAA, SSI, Social Security, and the Longevity Bonus.

Q: Is the current \$632 standard adequate?

A: There is no way to generalize an answer. No welfare jurisdiction in America has ever found a way to define "adequate" in such a way as to encompass all of the thousands of different living situations, money management capacities, and needs and desires that can be found in any program's recipient body.

Anecdotally, we encounter few cases of real hardship among our OAA recipients, even in the urban rental economy portion of our caseload, where reason suggests we would find overall expenses for necessities are highest. Clients who live with other family members and clients who live in subsidized housing appear, in our experience, to live in health and dignity, with modest leftover or "discretionary" income each month. Many so situated contribute regularly to the support of their extended family.

Comparisons are perhaps helpful: excluding the Bonus, OAA pays its clients 118 percent of the federal poverty level for Alaska. OAA clients, because of the Bonus, have \$250 more income each month than Alaska's needy blind or disabled persons. In our Aid to Families with Dependent Children (AFDC) program, a mother and one child receive only \$33 per month more than an elderly person without a Bonus, \$283 less than a single elderly person who receives a Bonus. Alaska's Old Age Assistance benefits are the highest in the nation.

Q: Do most needy seniors receive OAA?

A: No. Far from it. Available income information indicates that OAA's "market penetration" is highest among Alaska Natives, lowest among non-Natives. Overall, it appears that OAA serves perhaps one-third to one-fourth of all Alaskan seniors who would pass the OAA monthly income test.

We see the following reasons why our overall market penetration is so low:

- 1) many elderly are in living situations which demand little cash;
- 2) many have lowered expectations, i.e. many do not perceive themselves as "needy";
- 3) many have an innate bias against accessing "welfare";
- 4) many own property or have savings that exceed OAA resource limits;
- 5) many have adequate medical coverage via Public Health or Medicare; and
- 6) for many, the Longevity Bonus provides the cash, or the additional cash, to reduce perceived or actual need sufficiently to avoid (or to postpone seeking) assistance.

Q: If the Bonus decreases to \$200, what will be the effect?

A: The Bonus, whether it is federally countable or exempt, has, in effect, a direct dollar impact on OAA recipients. Absent other changes, a \$50 Bonus decrease will decrease each OAA recipient's monthly income by \$50. Only 10-15 percent of OAA clients receive Food Stamps; it is possible that a decrease in income would be partially offset for these clients by a slight increase in Food Stamps.

Q: What happens if the Bonus is based on income and paid only to persons below a certain annual income amount?

A: From an OAA perspective, this is an ideal solution. SSI rules exclude any state "assistance based on need" from countable income, which they have defined to us as meaning any periodic payment with an income qualifying limit. A resource requirement is not necessary, and there is no upper dollar limit on what the income qualifying limit must be.

Assuming that the prohibition on paying the Bonus to nursing home residents continues, needs-basing the Bonus would totally eliminate all need for the protection of the "Hold Harmless" program. Needs-basing would result in all OAA recipients continuing with the total monthly income they now enjoy and the State would save all its Hold Harmless costs. (Need-basing also eliminates the OAA and SSI requirement that anyone who appears to be eligible for a countable Bonus must apply for it.)

Q: What would be the OAA effects if a PFD-related annuity program incrementally replaced the Bonus?

A: From an OAA recipient's perspective, this is not a desirable option. The short-range effects depend largely on how the "transition phase" would be structured, whether SSI would view such a change as eliminating the current exemption from income of 1,600 OAA/Bonus recipients, and whether the Legislature would continue, end, or modify the "Hold Harmless" program.

In the long-term, SSI, OAA, and Medicaid would require applicants and recipients to apply for an annuity as a condition of eligibility. This would amount to requiring clients to give up their Permanent Fund Dividend (which, because of the PFD "Hold Harmless" program is now "extra" or "free" money to them) in exchange for an annuity, which would count dollar for dollar against their OAA and SSI grants. As that countable annuity amount grew, more and more recipients would become over income for SSI and for OAA, and they would lose Medicaid eligibility. The effects would exactly parallel what could have occurred when the Bonus changed to one year residency and SSI rules on the Bonus changed: those persons with regular medical needs and little or no other medical coverage (or annually-increasing deductibles and coverage decreases in Medicare) would have all or part of their annuity income used up by medical expenses. Some of those facing large medical expenses would defer essential treatment, or deny themselves essentials trying to pay for their treatment, or simply be unable to pay.

Q: What are the effects of decreasing the Bonus by an amount and adding that amount to the OAA payment levels? ("stair-stepping")

A: This would protect the monthly income of OAA recipients. It would decrease the "Hold Harmless" costs, and it would not threaten the Bonus income exemption enjoyed now by 1,600 SSI recipients. In theory, the OAA \$632 limit could be increased by as much as \$387 a month before OAA recipients who do not receive SSI would become ineligible for Medicaid.

As a practical matter, even a modest increase of \$50 or less would, in our opinion, subject us to a lawsuit. No jurisdiction we know of pays more to needy elderly than to needy disabled or blind persons. Indeed, all jurisdictions which have payment differences pay more to disabled or blind persons than to elderly persons. Given the common knowledge of the expensive and on-going special needs many disabled and blind persons have, it would be hard to defend an Adult Public Assistance payment structure that appeared to be based on the fiction that the elderly had greater needs.

Q: If the Bonus were needs based, would it be advantageous to have it administered by the Division of Public Assistance?

A: This deserves careful study, but our initial impression is that this would not necessarily be advantageous. If the new Bonus would involve only an annual, largely client-declaration eligibility determination, it makes sense to continue to administer it from a central location by Pioneer Benefits. It may be unnecessarily expensive, a kind of "administrative over-kill", to integrate such a simple Bonus program with our highly automated, highly accessible field structure designed to meet emergent need, respond to frequent client changes in many eligibility factors, apply complex program rules, and meet rigid federal audit, timeliness, and accuracy standards.

While it is likely that integrating OAA and the Bonus might well result (in very short order) in substantial increases in the "market penetration" of OAA and Medicaid, with attendant increases in public assistance benefit expenditures, we would expect that a substantial majority of the remaining Bonus recipients would either resist entering OAA or be ineligible for OAA because of their resources. The Division of Public Assistance would be serving 8,000 or more new people who do not want or need any of the other programs we offer.

However, if the current very simple idea of the Bonus as needs-based were to grow in complexity, as many such concepts so often do, it could become much more like a "real" assistance program. If a resource test were added, or income were to be examined quarterly or monthly in order to adjust the amount of the Bonus being paid to reflect an individual's income (rather than paying a flat \$250 per eligible individual), then the new Bonus would more closely resemble a "real" assistance program. If such changes were to occur, it is possible that the Division of Public Assistance would be the more effective choice to administer the program.

cc: Randall Burns
Special Assistant
Office of the Commissioner
DHSS

- FACT SHEET -

MEDICAL CARE FOR THE POOR

Medicaid and General Relief Medical Assistance

The original FY88 Medical Assistance budget submission was based on the assumption that a 20% expenditure reduction from FY 87 could be affected by redesigning the rate setting system, deleting 8 optional Medicaid services, and bringing outpatient pharmacy into the Medicaid program. In actuality, we have concluded that the savings could not be made in the manner represented, and that the budget currently submitted to the Legislature would dramatically curtail the medical services offered to 24,000 indigent Alaskans. To prevent such a reduction in services requires an additional \$7.6 million in state general funds beyond the current FY88 budget request.

It has become apparent that significant and immediate savings through rate setting changes cannot be made during FY 88, even if the rate setting function is statutorily transferred to the Department of Health and Social Services. However, the Department is still recommending the statutory changes necessary to accomplish further cost containment within Alaska's Medicaid rate setting system in order to enable the state to continue to fund a balanced array of services for low income people.

Alaska's Medicaid program -- even when fully funded -- is only a moderate one by national standards, offering 16 of a possible 35 optional medical services. When the budget was submitted in January, it was assumed that a budget shortfall in the Medicaid hospital and nursing home payment line could be absorbed solely in that part of the budget. It has since become clear that the current law only provides the Department with one choice to meet the budget shortfall which is to significantly reduce the number of "optional" Medicaid services presently available to clients. The elimination of 15 optional Medicaid services is required by the proposed FY 88 Medicaid budget. This would deny 24,000 eligible aged, blind, disabled, pregnant and minor Alaskans access to medical services that frequently prevent the need for institutional care. This would leave Alaska's Medicaid program ranked last in the nation with Puerto Rico in the number of medical services offered for the indigent. Attached is a listing (see pages 3-6) of the optional services, identifying the services, the number of people utilizing each service annually, and the associated costs. The optional Medicaid services are listed in the priority assigned by the Legislature (AS 47.07.035) and must be eliminated by the Department in this order when it appears expenditures for medical services will exceed the appropriated funding. These services are referred to as "optional" because the federal government does not mandate that states provide these services in order to administer a Medicaid program. Services not presented in this list such as inpatient hospital care, physician services, and skilled nursing facility care are mandatory services under federal Medicaid rules.

As an adjunct to Medicaid services, every state has a 100% state funded medical program for indigent people who do not qualify for Medicaid. Prior to FY 87, Alaska's General Relief Medical (GRM) program ranked nationally in the top one fourth (number 11) for services covered. For FY 87 Alaska's GRM program was cut by 40%, eliminating all but the most acute care services for some 5,000 Alaskans. As a result of this reduction, Alaska now ranks nationally in the lower one third (number 33) for services covered. The FY 88 requested increase to re-establish a portion of the eliminated GRM medical services was not approved. Additionally, the Catastrophic Illness program, which covered Alaskans who have suffered a serious illness or injury, remains unfunded in FY 87 as well as FY 88.

Passage by the Legislature of the legislation necessary to bring outpatient pharmacy into the Medicaid program has failed in three previous attempts. The Department continues to support passage of this legislation. Failure this session of a bill to implement a 50% federally funded Medicaid drug program will result in an additional 1.1 million general fund shortage in the program. Restoration of the 1.1 million in general funds will be essential to provide an adequate pharmacy program in FY88.

The explanation for the severity of the Medical Assistance Division's budgetary problems is very complicated. It is compounded by the expectation of the Legislature that the Medicaid Rate Commission would contain costs in FY 87. The Legislature set a savings goal of \$4.4 million in facility rates in FY 87. In the previous two years, facility rates had grown an average of 12% and 15%, respectively. In FY 86 and FY 87, the Commission did contain rates to an overall net zero growth, but the legislatively mandated savings goal of \$4.4 million was not fully achieved. This problem was not evident earlier because a change in accounting methodologies delayed discovery of the magnitude of the problem. Because the same expenditures will have to be made in FY 88 as in FY 87, the Department will begin FY 88 with an outstanding deficit of funds necessary to maintain the current level of Medicaid services.

To restore these services in FY88, \$7.6 million in general funds will be needed, these funds will capture a like amount in federal Medicaid dollars. The \$7.6 million reflects the shortfall in general funds from FY 87 and the cuts made for FY 88. In addition, \$750.0 of general funds are needed in the FY88 General Relief Medical budget to ensure that limited pharmacy and physician services are available to the terminally ill and chronically mentally ill, among others.

Regardless of the final outcome of the FY 88 Medical Assistance budget, it is necessary that a clear understanding of the issues affecting this budget be attained. The viability of the health care industry and how that translates into medical care for Alaskans is an issue beyond the scope of the Department of Health and Social Services. Factors such as the state's declining economy, the effect of utilization, insurance rates, and rising medical costs have cast a shadow on the future of many Alaskan hospitals and nursing homes. Issues of cost-containment, and access to and quality of care in rural and urban communities should be examined. The Department has recommended to the Governor that a task force of key policy makers, including cabinet members, legislators, and industry and consumer representatives be convened to review the status of the health care industry and report back its findings to the Governor and the Legislature by January, 1988.

AS 47.07.035
 Priority of Medical Assistance
 (lowest to highest priority)

<u>Service</u>	<u># Recipients</u>	<u>Total Amount</u>
1. Chiropractic Services	600	173.0
2. Adult Dental Services	2,032	909.8
3. Emergency Hospital Services	-0-	-0-
4. Treatment of speech, hearing and language disorders	298	87.0
5. Optometrists services and eyeglasses	4,543	657.4
6. Occupational therapy	36	53.2
7. Prosthetic devices	198	298.8
8. Medical supplies and equipment	330	506.8
9. Clinic services	1,384	1,971.2
10. Physical therapy	224	98.1
11. Personal care services in a recipients homes	200	1,029.2
12. Long term care non-institutional	-0-	-0-
13. Inpatient psychiatric services	49	800.0
14. Intermediate care facility services for the mentally retarded	52	3,783.7
15. Intermediate care facility services	299	8,622.8
16. Individuals under 21 not eligible for AFDC	4,371	4,649.3
17. Skilled nursing services for individuals under 21	5	100.0
18. Aged, blind and disabled individuals	318	11,042.0
19. Individuals in a hospital, skilled or intermediate care under 300% SSI level	25	868.1
20. Individuals under 21 under supervision of the department	100	500.0

DEFINITION OF OPTIONAL MEDICAL CARE

(1) chiropractic services: treatment by a licensed chiropractor by means of manual manipulation of subluxation of the spine including x-rays necessary to diagnose the subluxation.

(2) adult dental services: treatment by a licensed dentist limited to immediate relief of pain and acute infection.

(3) emergency hospital services: services which are necessary to prevent the death or serious impairment of the health of a recipient; and because of the emergency nature of the situation necessitate the use of the most accessible hospital available even if the hospital does not meet the conditions for participation under Medicare or Medicaid (this is not the same as mandatory hospital emergency room services).

(4) treatment of speech, hearing, and language disorders: diagnostic, screening, preventive, or corrective services provided by or under the direction of a speech pathologist or audiologist, for a patient referred by a physician. It includes any necessary supplies and equipment.

(5) optometrists' services and eyeglasses: vision testing and fitting of lenses, including frames, and other aids to vision prescribed by a physician skilled in diseases of the eye or a licensed optometrist.

(6) occupational therapy: medically directed treatment of physically and/or mentally disabled individuals by means of constructive activities designed and adapted by a professionally qualified occupational therapist to promote the restoration of useful function. It must be prescribed by a physician and it includes any necessary supplies and equipment.

(7) prosthetic devices: replacement, corrective, or supportive devices prescribed by a physician or other licensed practitioner of the healing arts within the scope of his practice as defined by State law to artificially replace a missing portion of the body, prevent or correct physical deformity or malfunction, or support a weak or deformed portion of the body.

(8) medical supplies and equipment: medical supplies equipment, and appliances suitable for use in the home such as wheelchairs, walkers, and commode chairs that are prescribed by a physician or through a home health agency.

(9) clinic services: preventive, diagnostic, therapeutic, rehabilitative, or palliative items or services provided by a mental health clinic that receives grants from the state, outpatient surgery centers, or from a physician's clinic.

(10) physical therapy: services prescribed by a physician and provided by or under the direction of a qualified and licensed physical therapist who uses physical agents, biomechanical, and neurophysiological principles, and assistive devices in relieving pain, restoring maximum function, and preventing disability following disease, injury or loss of a bodily part.

(11) personal care services in a recipients home: medically-oriented tasks having to do with a persons's physical requirements, as opposed to housekeeping or skilled nursing care which are prescribed by a physician in accordance with the recipient's plan of treatment and provided by an individual who is qualified to provide the services, supervised by a registered nurse, and not a member of the recipient's family.

(12) long-term care noninstitutional services: home and community based services for people who qualify for long-term institutional care. Such case would be authorized through a medicaid waiver of statewideness, freedom of choice, and amount, duration, and scope. Services which may be included under a waiver are: case management services, homemaker services, home health aide services, personal care services, adult day health services, habilitation services, respite care services, and other services that are requested by the state and approved by HCFA as cost-effective (i.e. costing in the aggregate 75% or less than the average cost of long-term care institutional services). Alaska has never obtained a waiver.

(13) inpatient psychiatric facility services: for individuals who are age 65 or older these are services provided under the direction of a physician in a certified and licensed psychiatric hospital that is primarily engaged in providing diagnosis, treatment, or care of individuals with mental diseases, including medical care, nursing care, and related services; for individuals under age 21 these are services provided under the direction of a physician in an institution as described above but which also involves active treatment which means implementation of a professionally developed and supervised individual plan of care designed to achieve the recipient's discharge from inpatient status at the earliest possible time.

(14) intermediate care facility services for the mentally retarded: services including active treatment provided in a facility certified and licensed to provide health or rehabilitative services for mentally retarded individuals or persons with related conditions.

(15) intermediate care facility services: health-related services provided to individuals who do not require hospital or skilled nursing facility care, but whose mental or physical condition requires services that are above the level of room and board, and can be made available only through institutional facilities which are certified and licensed to provide such care.

(16) individuals under age 21: children who meet the income criteria for benefits under the federal aid to families with dependent children program but who are not eligible for a grant because they are not deprived of one or more of their natural or adoptive parents.

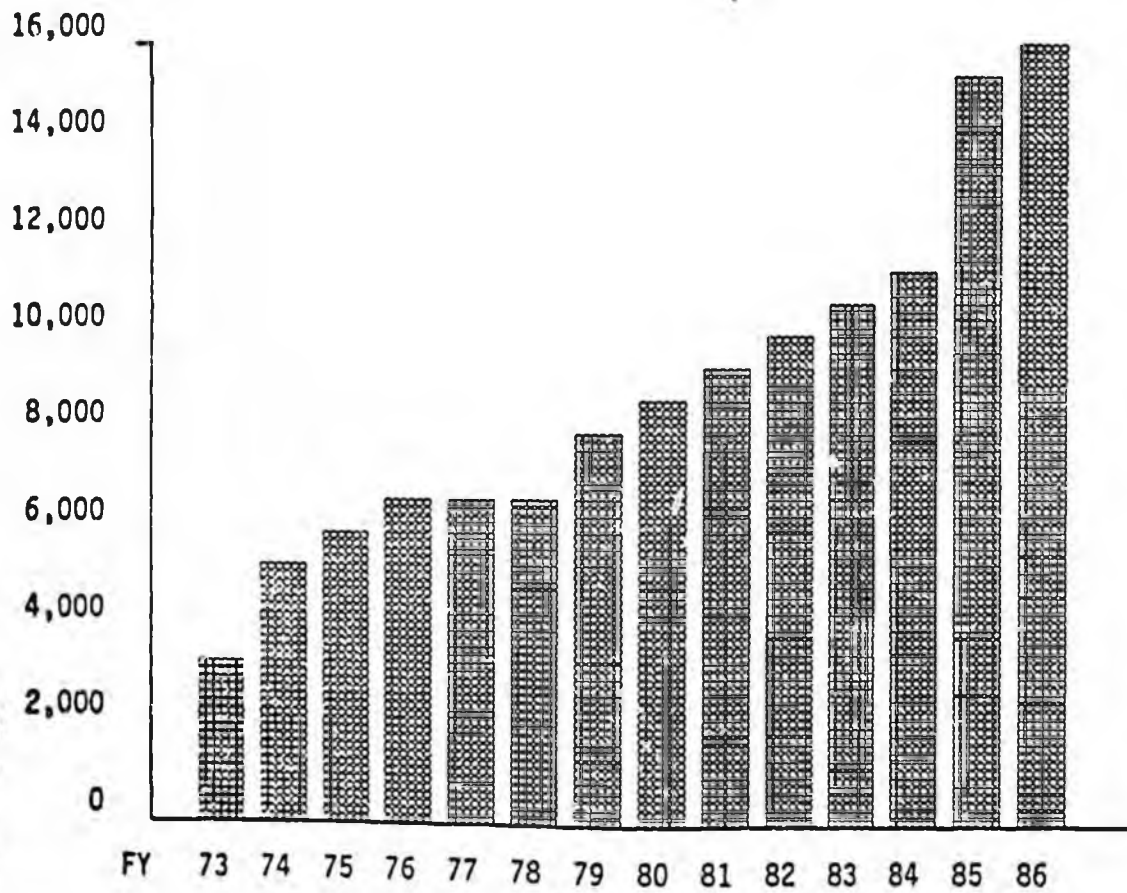
(17) skilled nursing facility services for persons under age 21: services ordered by and provided under the direction of a physician that are needed on a daily basis and required to be provided on an inpatient basis in a certified and licensed skilled nursing facility.

(18) aged, blind, and disabled individuals who are ineligible for Supplemental Security Income: people who are age 65 or older or who meet the federal definition of blind or disabled whose incomes are above the SSI need standard but below the State Adult Public Assistance need standard. These people qualify for an APA grant.

(19) individuals in a hospital, skilled nursing facility, or intermediate care facility whose income while in the facility does not exceed 300 percent of the Supplemental Security Income Benefit rate: people whose medical conditions require care in an institution but who do not qualify for either SSI or APA due to their income. Their incomes must be below \$1020 per month which is 300% of the SSI Income Benefit rate.

(20) individuals under age 21 under supervision of the department, for whom maintenance is being paid in whole or in part from public money and who are in foster homes or private child-care institutions: medicaid eligibility for these children is based on their personal income and resources not including those of their parents.

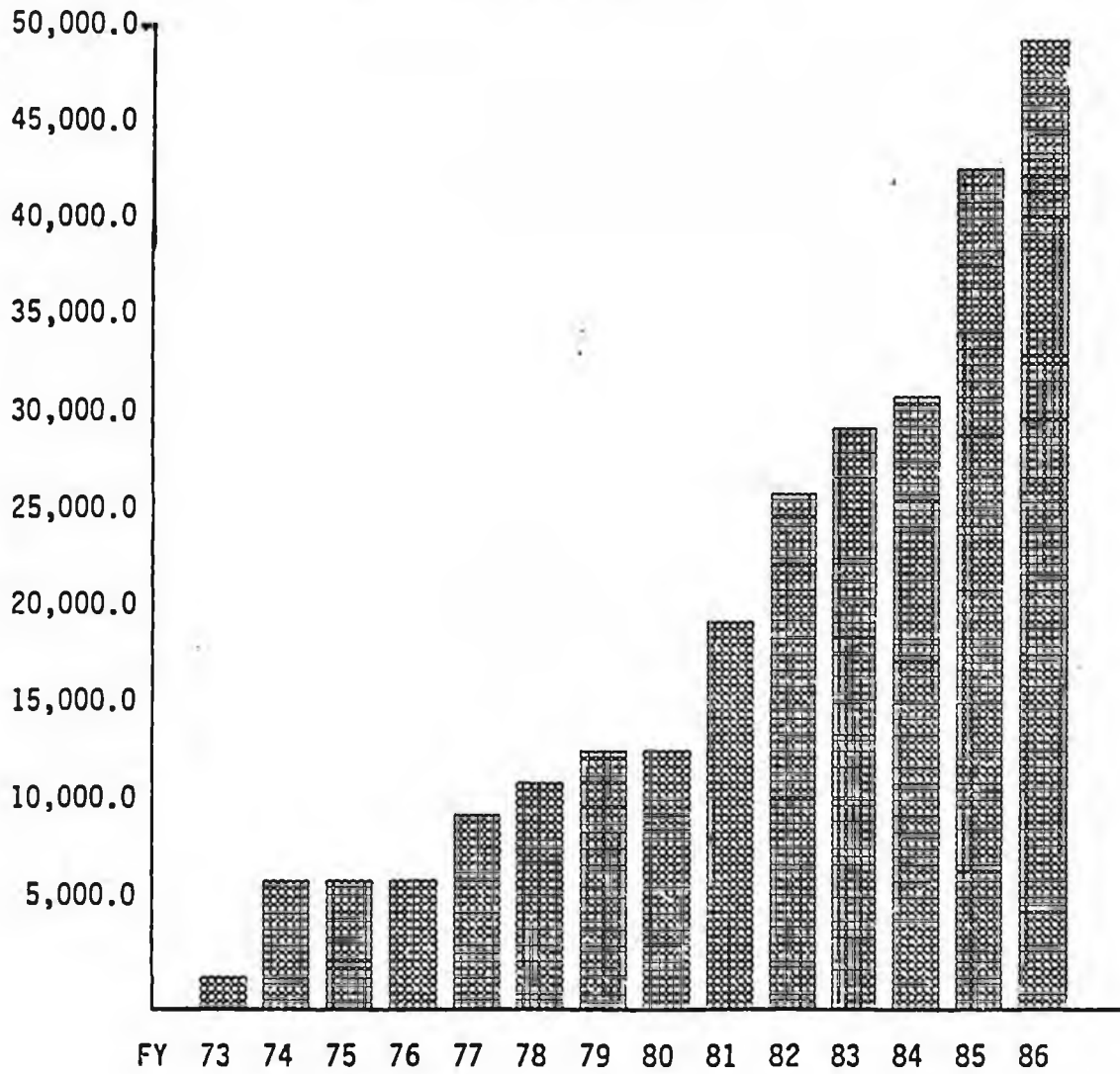
QUALIFIED RECIPIENTS
LONGEVITY BONUS PROGRAM



9/7C1/1220-14

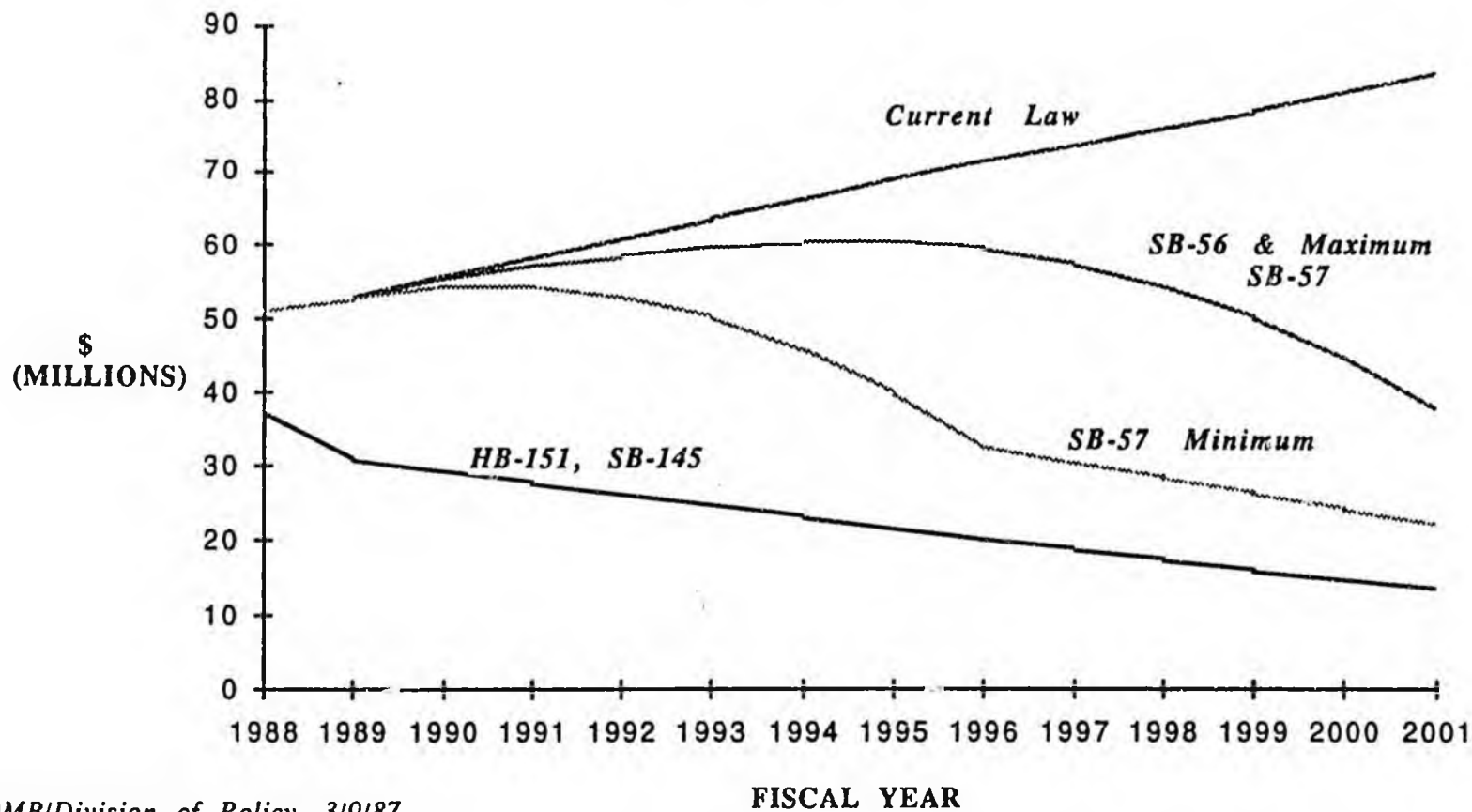
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ANNUAL EXPENDITURES (IN THOUSANDS)
LONGEVITY BONUS PROGRAM



9/7C1/1220-16

ALB Program Costs



OMB/Division of Policy, 3/19/87

FISCAL YEAR

LONGEVITY BONUS PROGRAM COSTS*
(millions of general fund dollars)

Fiscal Year	Current Law	SB-56† Annuity Program	SB-57†		HB-151, SB-145 Governor's Proposal
			Annuity Maximum	Program Variant Minimum	
1988	51.2	51.2	51.2	51.2	37.3
1989	52.7	52.7	52.7	52.7	30.9
1990	55.6	55.3	55.3	54.2	29.3
1991	58.2	57.2	57.2	54.2	27.7
1992	60.7	58.6	58.6	52.7	26.1
1993	63.4	59.7	59.7	50.0	24.6
1994	65.9	60.2	60.2	45.6	23.1
1995	68.8	60.3	60.3	39.7	21.6
1996	71.4	59.3	59.3	32.5	20.1
1997	73.6	57.2	57.2	30.3	18.7
1998	76.1	54.3	54.3	28.2	17.3
1999	78.5	50.1	50.1	26.1	15.9
2000	81.1	44.5	44.5	24.1	14.6
2001	83.6	37.4	37.4	22.1	13.3

*Grants only. Does not include administrative costs.

†Assumes first annuity contribution is from October 1988 dividend, with first annuity payment in July 1989.

OMB/Division of Policy, 3/2/87 (footnote & heading revised 3/10/87)

State of Alaska Financial Plan
Unrestricted General Funds
(Millions of \$)

	FY87	FY88	FY89	FY90	FY91
Revenues		\$1325.0	\$1373.9	\$1398.0	\$1359.0
Adjustment		(36.2) ¹	(17.3) ¹		
		<u>\$1288.8</u>	<u>\$1356.6</u>		
Total GF Outlay	2391.1	1895.5	1817.4	1800.1	1771.8
Deficit/Shortfall	(882.6)	(606.7)	(460.8)	(402.1)	(412.8)
Budget Reserve Fund	425.6				
Loans Closeouts		25.0			
Funding Source Change, Bradley Lake	50.0				
Individual Income Tax		83.0	255.0	269.0	282.0
ELF Postponement		75.0	91.7	99.7	97.7
License and Fee Increases		50.4	48.8	57.7	52.2
Permanent Fund Earnings	182.0 to 407.0 ²	123.3 to 373.3 ^{2,3}	0 to 65.3 ^{2,3}		
Balance	0	0	0	0	0

Rising oil prices will reduce draws on Permanent Fund Earnings. Budget Reserve Fund will be replenished either through windfalls or draw on Permanent Fund earnings, until cash reserve equals \$600.0.

¹ Decrease in projected revenues is primarily due to full use of Budget Reserve Fund in FY87, causing a decrease in expected interest earnings.

² The amount taken from the Permanent Fund earnings will decrease if oil prices rise.

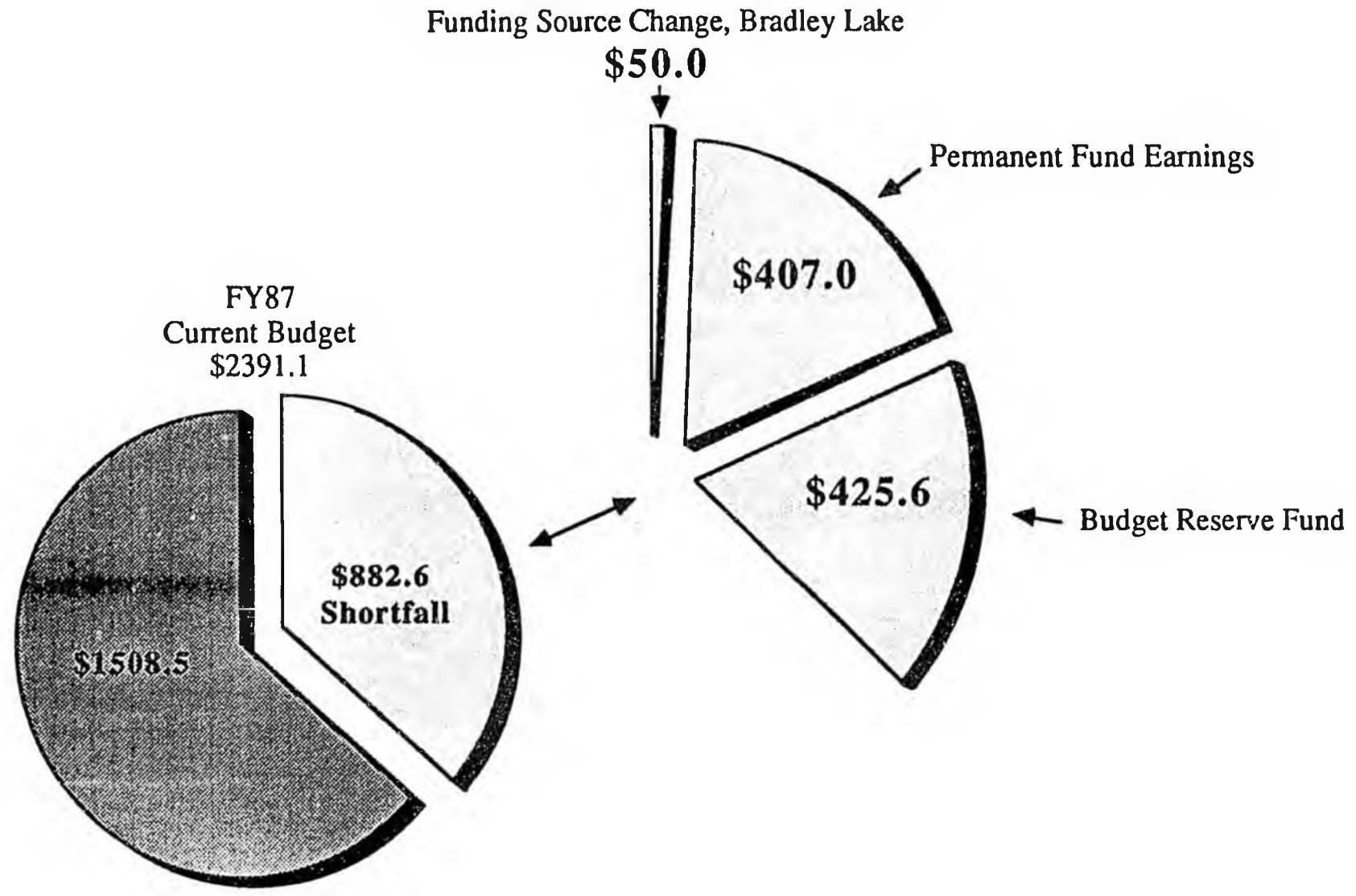
³ The draw could impact dividends and/or inflation proofing.

Revised: 3/2/87

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FY87 Budget Shortfall Problem and Solutions

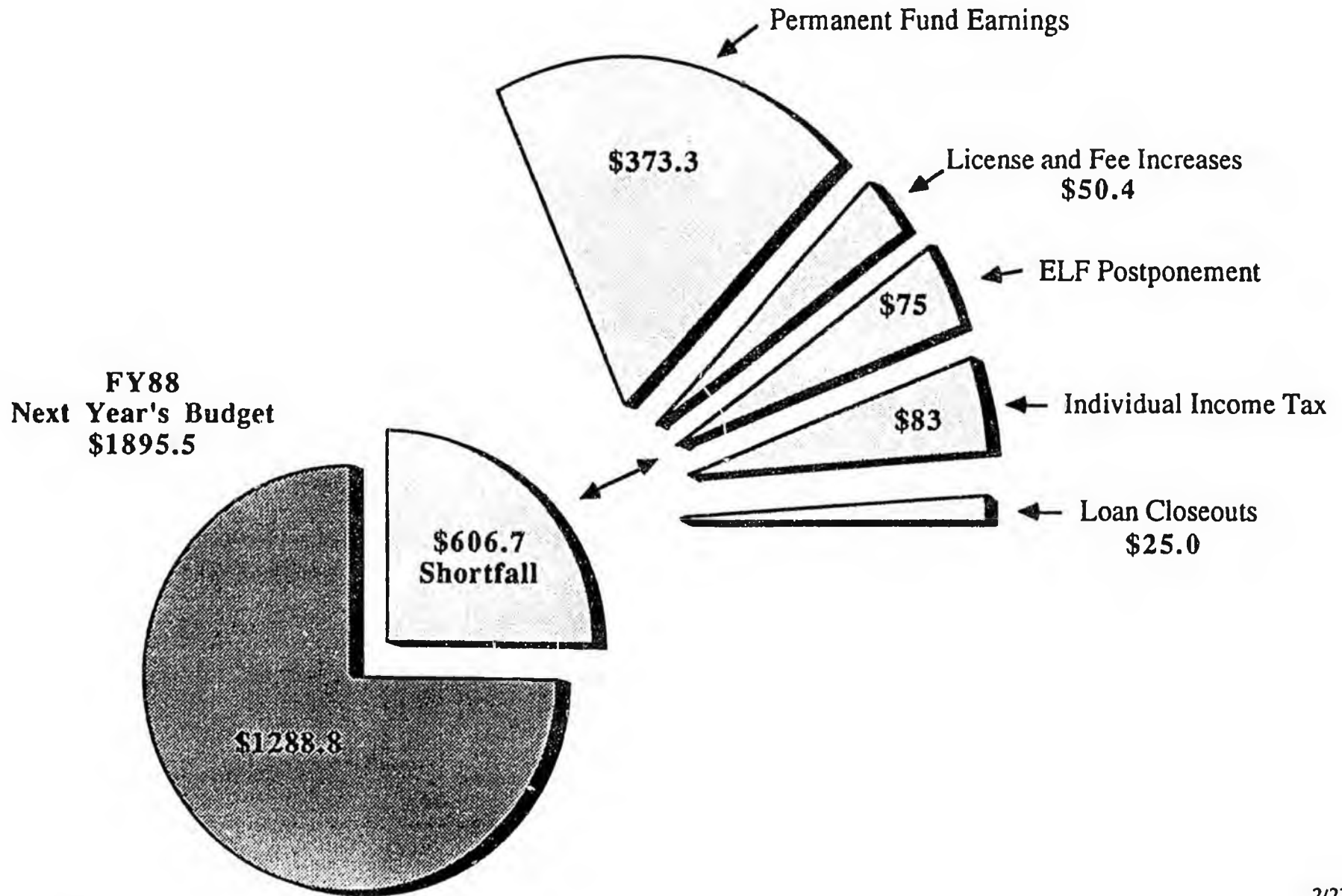
(Unrestricted General Funds)
(\$Millions)



FY88 Budget Shortfall Problem and Solutions

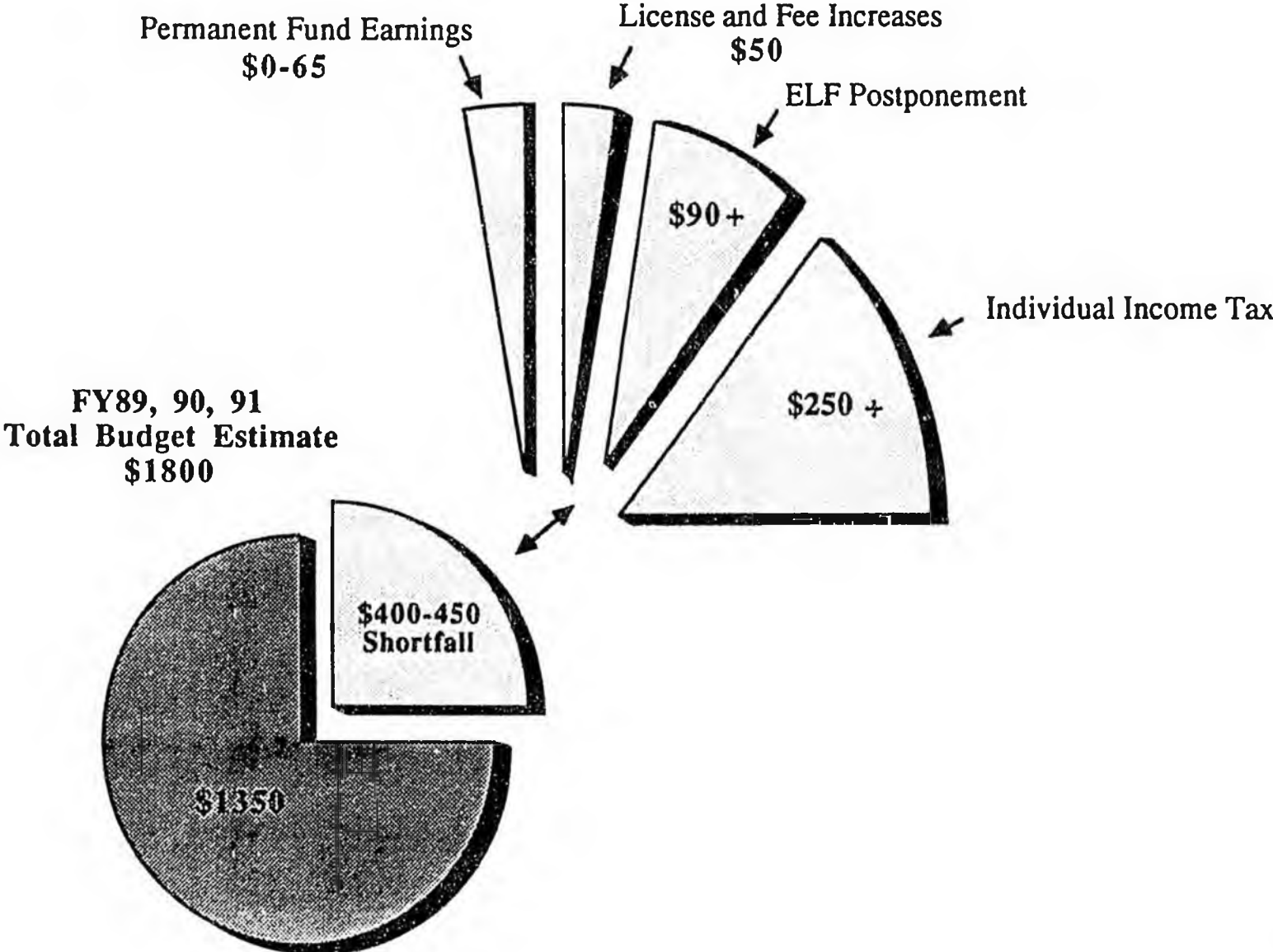
(Unrestricted General Funds)

(\$Millions)



FY89, 90, 91 Budget Shortfall Problem and Solutions

(Unrestricted General Funds)
(\$Millions)



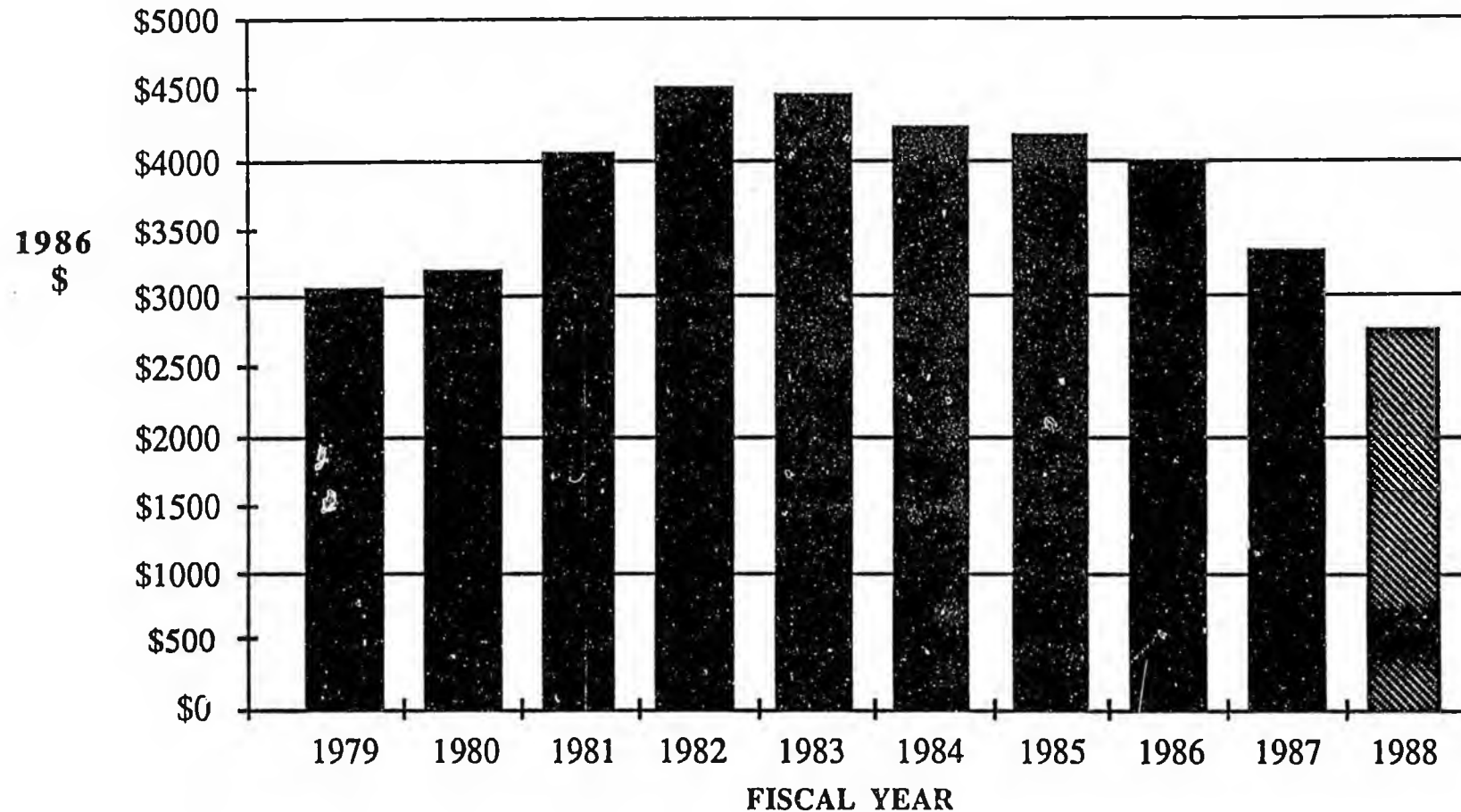
Alaska State Spending... A Review of the Record.

Alaskans know that state spending has declined, but few are aware of how deeply the cuts have gone. Total spending per resident is now \$4,410, a 44 percent decline from the peak in 1982. The FY 88 proposed budget would reduce spending by a further \$900 per resident. These figures actually understate the real reduction in state programs and services. If the effects of inflation are taken into account, proposed 1988 spending per resident will be down 63 percent from the 1982 peak -- to a level *15 percent lower than in 1979*.

Taking inflation into account, FY 88 operating spending per resident will be 10 percent below the 1979 level, and capital spending 83 percent lower. The attached two charts and the table show the historical and projected patterns of total spending and the subcategory of operating spending. The table also provides the historical raw data from which the values are calculated. The analysis covers unrestricted general funds only, which excludes federal funds and permanent fund transactions.

State Spending Per Resident

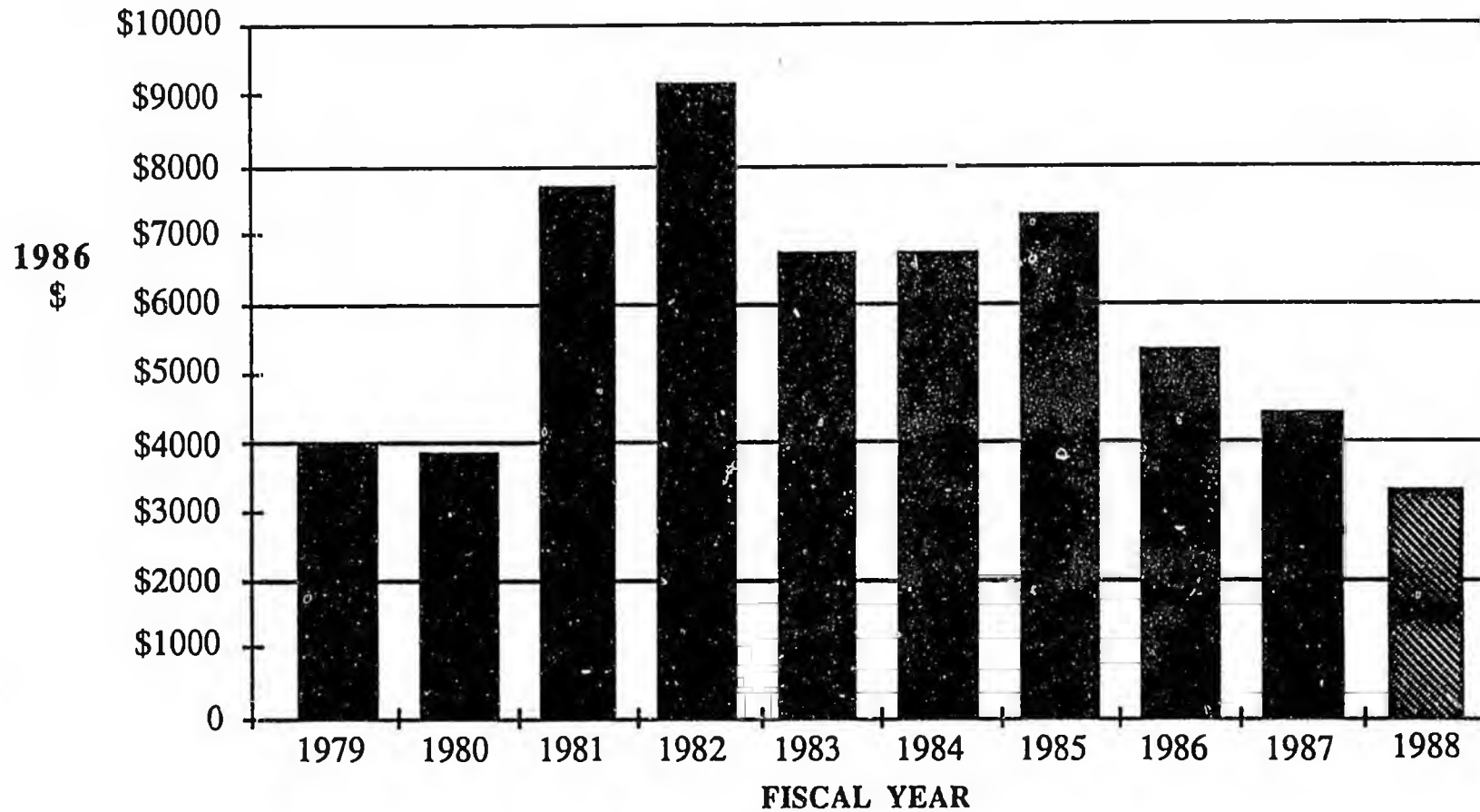
(Operating Budget, 1986 Dollars)



FY 79-86 are actual values. The FY 87 estimate reflects restrictions. The FY 88 projection reflects Governor Cowper's January budget proposal. All figures are Unrestricted General Funds.

Total State Spending Per Resident

(Operating, Capital, Loans; 1986 Dollars)



FY 79-86 are actual values. The FY 87 estimate reflects operating restrictions. The FY 88 projection reflects Governor Cowper's January budget proposal. All figures are Unrestricted General Funds.

HISTORICAL AND PROJECTED STATE SPENDING IN ALASKA, 1979-1988

(Dollar figures are Unrestricted General Funds.)

Fiscal Year	July 1 Alaska Population**	July 1 Anchorage CPI-U**	Operating Only			Operating, Capital, Loans, and Debt Service*			Percent Change In Real Per Capita Appropriations
			Operating Appropriations (millions)	Per Capita Operating Appropriations	Real Per Capita Operating Appropriations (1986 \$)	Appropriations (millions)	Per Capita Appropriations	Real Per Capita Appropriations (1986 \$)	
1979	411,600	188.5	\$837.7	\$2,035	\$3,091	\$1,082.5	\$2,630	\$3,995	N/A
1980	413,700	207.4	\$959.6	\$2,320	\$3,202	\$1,160.3	\$2,805	\$3,872	-3.1%
1981	419,700	228.4	\$1,364.3	\$3,251	\$4,075	\$2,587.0	\$6,164	\$7,726	99.6%
1982	435,200	246.1	\$1,706.2	\$3,920	\$4,561	\$3,445.3	\$7,917	\$9,210	19.2%
1983	460,837	263.6	\$1,897.8	\$4,118	\$4,473	\$2,848.5	\$6,181	\$6,713	-27.1%
1984	495,290	265.8	\$1,958.0	\$3,953	\$4,258	\$3,086.9	\$6,233	\$6,713	0.0%
1985	523,048	275.5	\$2,110.5	\$4,035	\$4,193	\$3,661.9	\$7,001	\$7,276	8.4%
1986	539,600	278.8	\$2,116.5	\$3,922	\$4,028	\$2,830.1	\$5,245	\$5,386	-26.0%
1987†	542,151	286.3	\$1,826.0	\$3,368	\$3,368	\$2,391.1	\$4,410	\$4,410	-18.1%
1988†	537,080	298.4	\$1,549.7	\$2,885	\$2,768	\$1,895.5	\$3,529	\$3,386	-23.2%

* Permanent fund deposits and dividend appropriations, 1981 personal income tax refunds, and other extraordinary items are excluded.

**AkDOL estimates FY 79-86. AkDOL projections (low series) FY 87-88. FY 88 CPI projection by OMB.

† Fiscal 1987 figures reflect O.M.B. estimates of spending for operating items, loans and debt service;

FY 87 figures do not reflect capital restrictions. FY 88 figures from Governor Cowper's January budget proposal.

A M E N D M E N T

Offered in the HOUSE

By Donley

TO: HB 151

Page 1, line 6, following "entitled:", through page 4, line 15:

Delete all material

Insert "An Act amending and making effective an annuity program and amendments to the longevity bonus program and the permanent fund dividend program provided for in secs. 2 - 18, ch. 99, SLA 1985; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 43.23.110(a) is amended to read:

(a) The annuity investment fund is established as a separate fund in the state treasury. The annuity investment fund consists of money transferred from the dividend fund, cash contributions under AS 43.23.125, and income earned by the annuity investment fund. Notwithstanding AS 37.13.145, an amount equal to the permanent fund dividends taken as annuity credits under this chapter shall be annually transferred from the dividend fund to the annuity investment fund.

* Sec. 2. AS 43.23 is amended by adding a new section to read:

Sec. 43.23.125. CASH CONTRIBUTIONS. An individual who is eligible to receive the permanent fund dividend as an annuity credit under AS 43.23.005(d) but does not elect to do so or who elects to receive only a portion of the permanent fund dividend as an annuity credit may make a cash contribution to that individual's annuity account. The

total amount credited and contributed to an annuity account in a year may not exceed the amount of the permanent fund dividend for that year.

* Sec. 3. AS 43.23.130(a) is amended to read:

(a) An individual with one or more annuity credits or cash contributions under AS 43.23.125 may receive an annuity upon reaching the age of 65.

* Sec. 4. AS 43.23.130(e) is amended to read:

(e) If a person elects to credit a permanent fund dividend or make a cash contribution to an annuity account in a particular year, that person may make an irrevocable choice regarding death benefits with respect to that credit or contribution. If a person dies before age 65 and that person has selected death benefits in at least one year, a lump sum payment shall, subject to appropriation, be paid to the surviving spouse by right of survivorship unless a different beneficiary was designated. When no spouse survives and no beneficiary is designated, the lump sum shall be paid to the decedent's estate. The lump sum payment includes all dividends credited to the person's annuity account in years in which death benefits were selected and interest on those dividends. Dividends credited and cash contributed to a person's annuity account in years for which death benefits were not selected and interest on those dividends and contributions shall, if the person dies before age 65, be distributed equitably among the annuity accounts of all individuals for which death benefits were not selected.

* Sec. 5. AS 43.23 is amended by adding a new section to read:

Sec. 43.23.135. EMERGENCY WITHDRAWALS. An individual may make a withdrawal from that individual's annuity account before reaching the age of 65 if the individual establishes to the satisfaction of the commissioner that the withdrawal is necessary to meet an unforeseeable emergency. The amount withdrawn may not exceed the total amount in the individual's annuity account or the amount actually necessary to meet the emergency, whichever is less. The commissioner shall define the term "unforeseeable emergency" by regulation. An individual may only make one withdrawal under this section and may pay it back with interest under terms established by the commissioner.

* Sec. 6. AS 47.45.015(a) is repealed and reenacted to read:

(a) Except as provided in (b) of this section, the commissioner of administration shall determine the amount of an individual's monthly longevity bonus by subtracting from \$250 the maximum possible straight life annuity a person 65 years of age under the annuity program (AS 43.23.110 - 43.23.130) could be eligible for in the first year that the individual becomes eligible for the longevity bonus. The commissioner of administration shall determine the maximum possible straight life annuity in a given year by calculating the amount a person would be eligible for if the person had qualified for and selected an annuity credit in each year the annuity program was available.

* Sec. 7. Section 1, ch. 99, SLA 1985, is repealed.

* Sec. 8. Chapter 99, SLA 1985, and secs. 1 - 6 of this Act apply only to permanent fund dividends for years beginning after December 31, 1987. Notwithstanding the amendments to AS 43.23 made by ch. 99, SLA 1985, and

this Act, permanent fund dividends for 1987 and prior years shall be made under the law as it existed before the effective date of this Act.

* Sec. 9. This Act takes effect immediately under AS 01.10.070(c)."

RECEIVED MAR 27 1987

20

Rural Alaska Community Action Program, Inc.

March 24, 1987

Honorable Fran Ulmer
Alaska State Representative
Pouch V Mail Stop 3100
Juneau, AK 99811

Dear Representative Ulmer:

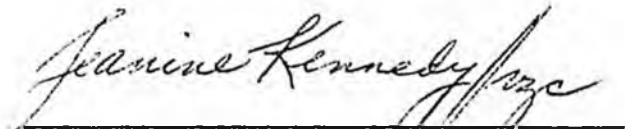
During the 14th annual Village Participation Conference (VPC) held in Juneau last month, a recurring concern for low-income older persons in the villages was voiced.

Many Alaska Natives, especially those in their fifties and older, did not have the opportunity to work full-time in their youthful period. As a result, they do not enjoy the same benefits as others who were employed for wages for long careers. A large number of Alaska Native elders have used the Longevity Bonus from the State of Alaska as a supplement to their incomes and many still continue to rely on subsistence sharing by relatives and friends to survive.


VPC Resolution #87-9, entitled, "Longevity Bonus," addresses the issue and I am enclosing a copy for your review and consideration. Please let me know what kind of follow-up actions to be taken by myself or Rural CAP staff would be most appropriate.

Thank you for your attention.

Sincerely,



Jeanine Kennedy, Exec. Director
Rural Alaska Community Action
Program, Inc.



Chester T. Ballot, Chairman
1987 Village Participation
Conference

VILLAGE PARTICIPATION CONFERENCE RESOLUTION # 87 - 9

ENTITLED: LONGEVITY BONUS.

WHEREAS, the longevity bonus is necessary for providing the basic needs of the elders of village Alaska; and

WHEREAS, the elders are the backbone to our present and future culture; and

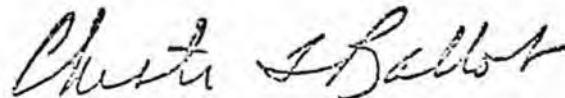
WHEREAS, the longevity bonus supplements the subsistence lifestyle of our eluers; and

WHEREAS, the longevity bonus contributes to the local economy of every community.

Now, therefore, be it

RESOLVED: that the 1987 Village Participation Conference hereby urges the Alaska State Legislature to maintain and continue the present longevity bonus as is.

ADOPTED this 27th day of February, 1987 at the Village Participation Conference in Juneau, Alaska.



Chester Ballot, Chairperson
1987 Village Participation Conference



Grand Camp
Alaska Native Brotherhood

21

ALASKA NATIVE BROTHERHOOD EXECUTIVE COMMITTEE
March 5-6, 1987 Meeting
Juneau, Alaska

RESOLUTION NO. 1

TITLE: LONGEVITY BONUS

WHEREAS; News items appearing in the local paper reports that the present State Administration is working on a plan which they hope will reduce the cost of administering the Longevity Bonus Program, and

WHEREAS; The present system of payments is based on required residence in Alaska, and one must be 65 years of age or older in order to qualify, and

WHEREAS; Through court action the residence requirements was changed to reduce the resident time, thus adding a considerable cost to the program, and

WHEREAS; The original intent of the program was to reward the Pioneers who struggled to make the State what it is today, and all of a sudden newcomers to Alaska who had not contributed to the progress of Alaska begin to hollar about their constitutional rights maintaining they were entitled to benefits under the program, unfortunately the court held in their favor, and

WHEREAS; The State Government appears to be in favor of changing the system and making it a Welfare program by placing an income limit in order to qualify, and

WHEREAS; The Alaska Native Brotherhood and Sisterhood are on record in supporting the present method of handling the Longevity Bonus program, and

BE IT RESOLVED; by the Executive Committee of the Alaska Native Brotherhood, acting on behalf of the ANB in accordance with our Constitution, definitely opposes the change in the Longevity Program as contemplated by the State Administration, and

RESOLUTION NO. 1

Page 2

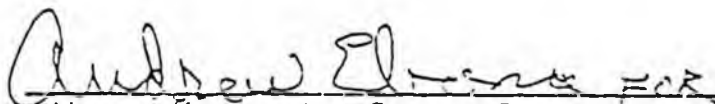
BE IT FURTHER RESOLVED, that copies of this resolution shall be furnished to the President of the Senate, Speaker of the House, our representatives from Southeast Alaska and the Bush, AFN, and Pioneers of Alaska. The original shall be mailed to the Governor of Alaska.

ATTEST:

I certify that this resolution was adopted by the ANB Executive Committee during meetings in Juneau, Alaska, March 5-6, 1987.



Richard Stitt, Grand President



Albert Rookesh, Grand Secretary

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

No. 1

A

87

REQUEST _____

Bill Version: HB 151
Publish Date: HOUSE 2/27/87

Revision Date: _____ Agency Affected: Administration
Title: An Act relating to the Longevity BRU: Longevity Bonus
Bonus Program effective date. _____
Sponsor: Governor _____ Components: Grants; Administrative
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

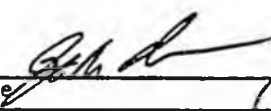

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: Attach a separate page if necessary

There is no fiscal impact beyond what is included in the Governor's FY 88 budget request, as revised approximately March 1, 1987. The attached pages present the full cost of the revised program.

Prepared By: John Andrews  Phone: 465-2200
Division: Commissioner's Office Date: 2/27/87
Approved by Commissioner: Garrey Peska  Date: 2/23/87
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
Senate Secretary

HB 151
 No. 1
 2/27/87

ATTACHMENT -- LONGEVITY BONUS FISCAL NOTE
 2/23/87

ADMINISTRATION (dollars in thousands)

	FY 87 Revised *****	FY 88 Total *****	FY 89 Total *****	FY 90 Total *****	FY 91 Total *****	FY 92 Total *****
Personal Services	258.9	389.8	300.0	300.0	300.0	300.0
Travel	0.9	0.9	1.0	1.0	1.0	1.0
Contractual	53.1	95.5	60.0	60.0	60.0	60.0
Supplies	4.3	5.1	5.0	5.0	5.0	5.0
Equipment	0.0	24.2	0.0	0.0	0.0	0.0
	-----	-----	-----	-----	-----	-----
Total Operating (all G.F.)	317.2 *****	515.5 *****	366.0 *****	366.0 *****	366.0 *****	366.0 *****
Perm Full Time	6.0	9.0	8.0	8.0	8.0	8.0
Perm Part Time	1.0	4.0	0.0	0.0	0.0	0.0
Months	81.6	126.6	96.0	96.0	96.0	96.0

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

B

88

REQUEST:
Revision Date: _____
Title: An act Relating to the Alaska Longevity Bonus Program
Sponsor: _____
Requestor Governor

Bill Version: HB 151
Publish Date: HOUSE 2/27/87

Agency Affected: Health & Social Services
BRU: Assistance Payments BRU

Components: OAA-ALB Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES	-0-	-0-	-0-	-0-	-0-	-0-
TRAVEL	-0-	-0-	-0-	-0-	-0-	-0-
CONTRACTUAL	-0-	-0-	-0-	-0-	-0-	-0-
SUPPLIES	-0-	-0-	-0-	-0-	-0-	-0-
EQUIPMENT	-0-	-0-	-0-	-0-	-0-	-0-
LAND & STRUCTURES	-0-	-0-	-0-	-0-	-0-	-0-
GRANTS, CLAIMS	-0-	-0-	-0-	-0-	-0-	-0-
MISCELLANEOUS	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
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REVENUE	-0-	-0-	-0-	-0-	-0-	-0-
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS	-0-	-0-	-0-	-0-	-0-	-0-
OTHER	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME	-0-	-0-	-0-	-0-	-0-	-0-
TEMPORARY	-0-	-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

The FY88 Governor's budget assumes elimination of the Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH) program, effective January 1, 1988. It is important to note that the dollars saved by this proposed legislation have been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$622.4 must be restored to the Public Assistance BRU FY88 Budget. This analysis also assumes that the needs-based requirements meet federal standards.

Prepared by: John R. Taber, Director
Division: Division of Public Assistance

Phone: 465-3347
Date: 2-24-87

Approved by Commissioner: Maria M. Munson
Agency: Department of Health & Social Services

Date: 2-24-87

- Distribution (by preparer):
- Legislative Finance
 - Legislative Sponsor
 - Requestor
 - Office of Management and Budget
 - Impacted Agency(ies)
 - Senate Secretary

Assistance Payments BRU, HB 151

Old Age Assistance - Alaska Longevity Bonus Hold Harmless (OAA-ALBHH)

The Alaska Longevity Bonus Hold Harmless Program (OAA-ALBHH) was established by CSSB No. 56 with an effective date of June 1985. Federal rules require the State to count the ALB received by aged recipients with less than 25 years residence when determining eligibility for Social Security Administration's and State's Supplemental Security Income (SSI) Old Age Assistance Program. The FY87 OAA-ALB Hold Harmless component 1) replaces the amount of Federal SSI payment lost to a Bonus recipient when SSI counts the Longevity Bonus as available (income) and 2) continues to "disregard" the SSI-countable Bonus in computing Old Age Assistance (OAA) Supplemental payments.

If in FY88 the Alaska Longevity Bonus program were changed such that the ALB received by an individual was "needs-based," then federal rules would "disregard" the ALB payment and not treat the ALB as available income. Thus, ALB payments that are based on need eliminates the need for the protection of the OAA-ALB Hold Harmless program. The Bonus would not be counted as income when calculating federal SSI and State OAA Supplemental assistance payments.

	6-Month Impact				
	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>
OAA-ALB Hold Harmless Program reduction due to Needs-based ALB	1556.0	3608.3	4251.7	4855.1	5427.8
Amount of OAA-ALB HH that replaces lost SSI payments	622.4	1443.3	1700.7	1942.0	2171.1
Amount of OAA-ALBHH that replaces State OAA payments	933.6	2165.0	2551.0	2913.1	3256.7
Net Savings Under Needs-based (The Amount of OAA-ALBHH that replaces lost SSI payments)	622.4	1443.3	1700.7	1942.0	2171.1

Under a needs-based ALB the Social Security Administration's SSI payments that are restored result in net general fund savings. That amount of ALB Hold Harmless that had replaced State OAA payments shifts back to Old Age Assistance. If this legislation does not pass, the projected net savings of 622.4 must be restored to the OAA-ALBHH component in FY88.

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

No. 3

C

89

REQUEST: _____

Bill Version : HB 151
Publish Date : HOUSE 2/27/87

Revision Date: _____
Title : An Act Relating to the Alaska
Longevity Bonus Program

Agency Affected: Health & Social Services
BRU: Medical Assistance

Sponsor : _____
Requestor : Governor

Components : Alaska Longevity Bonus
Hold Harmless

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-
CAPITAL	-0-	-0-	-0-	-0-	-0-	-0-
REVENUE	-0-	-0-	-0-	-0-	-0-	-0-

FUNDING: (Thousands of Dollars)

GENERAL FUND	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME	-0-	-0-	-0-	-0-	-0-	-0-
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

The Governor's FY88 budget assumes the elimination of the Medical Assistance - Alaska Longevity Bonus Hold Harmless program. It is important to note that the dollars saved by this proposed legislation have already been removed from the Governor's FY88 budget request. If this legislation does not pass, projected FY88 costs of \$571.5 must be appropriated to the Medical Assistance BRU FY88 budget. This analysis also assumes that the needs, based

requirements meet federal standards. Ed. P.
Prepared by: _____
Division: Medical Assistance

Phone: 7465-3355
Date: 2/24/87

Approved by Commissioner: Maria K. Munson
Agency: Health and Social Services

Date: 2/24/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary